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MAGNITUDE OF TAXES IN MARKETING FOOD PRODUCTS^{1/}

During 1956, the latest year for which data are available, food-marketing corporations paid about \$1.6 billion in taxes, 68 percent more than the 1947-49 average (table 14). The amount of taxes paid by these companies has shown a pronounced upward trend since the end of World War II, with little evidence of leveling off.

Sixty-two percent of the taxes paid by food-marketing firms were Federal income taxes. The remainder was other taxes -- real estate and personal property taxes, social security, unemployment insurance, State income, and franchise taxes and license fees. Retail sales taxes on food, although, by and large, not included in the marketing bill, represent part of the price paid by consumers to obtain food products. Twenty-four States and the District of Columbia have some type of retail sales tax on food. Based on 1958 tax rates and census sales data, the tax on retail food store sales of food items is provisionally estimated at between \$300 and \$400 million. Retail sales taxes on food are not included in the estimate of \$1.6 billion.

Of the total tax payment of \$1.6 billion in 1956, food processors paid 67 percent, retail food stores 22 percent, and wholesale food firms 11 percent (table 14). During the period 1945-56 the share of the taxes paid by retail food stores increased from 12 to 22 percent whereas the share of food processors declined from 80 to 67 percent. Part of this increase in taxes for retail food stores resulted from an increase in the proportion of sales made by corporate retail food stores relative to noncorporate stores. In 1956, about 50 percent of the retail food business was done by corporations compared with about 38 percent in 1945.

Taxes per dollar of sales of food processors rose from 2.9 cents in 1947 to 3.0 cents in 1956 while those of retail food stores increased from 1.6 cents to 1.8 cents. But taxes of wholesale firms declined from 1.1 cents to 1.0 cent per dollar of sales. ^{2/}

Noncorporate Food Marketing Firms

Estimates have not been made of the taxes paid by noncorporate firms marketing farm food products. Noncorporate food processing firms probably accounted for less than 10 percent of the taxes paid by all food processors. According to the 1954 Census, noncorporate food processing firms accounted for

^{1/} Prepared by William T. Wesson, Agricultural Economist, Mktg. Econ. Res. Div., Agr. Mktg. Serv. This article is based on research initiated during 1959 to determine the types and magnitude of taxes involved in the marketing of agricultural commodities. Plans are to study some of the effects of taxes on market structure.

^{2/} Compared with 1945 and 1946, the taxes per dollar of sales over the period 1945-56, have declined for food processors, retailers, and wholesalers. The higher rates for 1945 and 1946 reflect the excess profits tax that was in effect in 1945. For this reason, the year 1947 was selected as the base year for indicating the trend over the period in question.

about 11 percent of the value added by manufacture in the food and kindred products manufacturing industry. Similarly, noncorporate retail food stores accounted for about 55 percent of the total sales of food in 1954 and noncorporate wholesale food firms for about 41 percent of the total sales of food. Noncorporate food processing firms and retail and wholesale food firms are substantially smaller than corporate firms and, therefore, can be expected to incur a lower tax per dollar of sales than the latter. This expectation is due both to the tendency for large firms to earn more per dollar of sales than small firms and to the fact that higher incomes incur higher effective tax rates.

Table 14.-Taxes paid in marketing food products by processing, wholesaling, and retailing corporations, 1945-51 and 1953-56 ^{1/}

Year:	Type of firm			Percentage of total taxes paid				
	Food pro- cessors: firms	Whole- sale food firms	Retail food stores	Total, all groups	Food pro- cessors: firms	Whole- sale food firms	Retail food stores	Total, all groups
	Million dollars	Million dollars	Million dollars	Million dollars	Percent	Percent	Percent	Percent
1945	721.1	67.4	112.0	900.5	80	8	12	100
1946	749.8	132.0	129.8	1,011.6	74	13	13	100
1947	750.9	122.5	136.9	1,010.3	74	12	14	100
1948	678.2	113.1	143.6	934.9	73	12	15	100
1949	680.8	120.7	161.7	963.2	71	12	17	100
1950	888.1	155.6	194.5	1,238.2	72	12	16	100
1951	908.2	156.8	209.5	1,274.5	71	12	17	100
1953	986.7	152.3	266.0	1,405.0	70	11	19	100
1954	950.1	152.1	280.2	1,382.4	69	11	20	100
1955	1,094.0	166.2	315.5	1,575.7	69	11	20	100
1956	1,091.4	178.7	360.4	1,630.5	67	11	22	100

^{1/} Total taxes include Federal income taxes, excess profits taxes where applicable, and "taxes paid." The latter category consists principally of taxes on real estate, personal property, social security, unemployment insurance, State income, franchise taxes, and license fees. Total taxes paid by these corporations have been adjusted to allow for beverages and nonfood products processed or handled.

^{2/} Includes excess profits taxes of \$364,207,000, 1945; \$26,868,000, 1946; \$48,736,000, 1950; \$42,687,000, 1951; \$44,647,000, 1953; and \$3,213,000, 1954.

Based on data from the Internal Revenue Service Source Book.

